



Committee On Finance

Max Baucus, Ranking Member

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BAUCUS CALLS FOR BETTER COMMUNICATION AT IRS FOR FEWER AUDIT MISTAKES, BETTER TAXPAYER SERVICE

New GAO report uncovers significant percentage of tax adjustments overturned on appeal

Washington, D.C. – U.S. Senator Max Baucus (D-Mont.), Ranking Member on the U.S. Senate Finance Committee, responded today to a new report from the Government Accountability Office (GAO) concerning the IRS appeals process. Examiners from the IRS compliance division audit taxpayer returns and can make adjustments resulting in taxpayers owing more tax, and taxpayers who are unsatisfied with the adjustment can appeal to the IRS appeals division. In the report, requested by Baucus and Finance Committee Chairman Charles Grassley (R-Iowa), GAO estimated that 41 percent of appeals resolved in 2004 were not fully sustained, which means that the appeals division disagreed at least in part with the IRS examiners. GAO found that in more than half of those cases, examiners from the compliance division and officers in the appeals division applied tax laws and regulations differently. GAO is encouraging improvements to an IRS program that provides feedback from the appeals division to IRS examiners to improve the accuracy and quality of audits and taxpayer service.

“If the appeals division is frequently changing or overturning IRS adjustments, there should be an aggressive effort to spot any patterns and problems in the compliance division’s work,” said Baucus. **“Better feedback from the appeals division on why these cases aren’t sustained should result in fewer mistakes and better service at the compliance level, and that’s the best outcome for American taxpayers.”**

In 2004, the IRS Commissioner requested that the appeals division establish a project to provide the compliance division with feedback about the results of examinations. The feedback is intended to help examiners resolve more cases without the need for an appeal. Today’s GAO report recommends that Appeals partner with the IRS Operating Divisions to improve its feedback program and enhance the compliance division’s service to taxpayers. The IRS Commissioner has agreed to take several GAO-recommended steps. The full text of the GAO report can be found at <http://www.gao.gov>.

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